HD

UNITED STATES PATENT AND TRADEMARK OFFICE

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/810,107	03/26/2004	Renato Staub	5333-3	8033

7590   01/17/2008

Michael Bednarek
Pillsbury Winthrop Shaw Pittman LLP
1650 Tysons Blvd.
McLean, VA 22102

EXAMINER
BAIRD, EDWARD J

ART UNIT	PAPER NUMBER
3693	

MAIL DATE	DELIVERY MODE
01/17/2008	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

PTOL-90A (Rev. 04/07)

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE <u>3</u> MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on <u>26 March 2004</u>.

2a)☐ This action is **FINAL**.   2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) <u>1-22</u> is/are pending in the application.

    4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) <u>1-22</u> is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

    Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

    Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

    a)☐ All   b)☐ Some * c)☐ None of:

      1.☐ Certified copies of the priority documents have been received.

      2.☐ Certified copies of the priority documents have been received in Application No. _____.

      3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

    * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)

2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)

3) ☒ Information Disclosure Statement(s) (PTO/SB/08)
    Paper No(s)/Mail Date <u>10 June 2005</u>.

4) ☐ Interview Summary (PTO-413)
    Paper No(s)/Mail Date. _____.

5) ☐ Notice of Informal Patent Application

6) ☐ Other: _____.

DETAILED ACTION

Claims 1- 22 are pending in this application. Claims 1-22 are rejected under 35

U.S.C. 103.

Specification

1. Applicant cooperation is requested in correcting any error of which applicant may

become aware in the specification.

Claim Rejections - 35 USC § 103

2. The following is a quotation of 35 U.S.C. 103 (a) which forms the basis for all

obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as
> set forth in section 102 of this title, if the differences between the subject matter sought to be
> patented and the prior art are such that the subject matter as a whole would have been obvious at
> the time the invention was made to a person having ordinary skill in the art to which said subject
> matter pertains. Patentability shall not be negatived by the manner in which the invention was
> made.

3. Claims 1-5, 9-11, 13-15, and 19-21, are rejected under 35 U.S.C. 103 (a) as

being unpatentable over **Schulz et al** (US Patent No. 6,687,681) in view of **Arena et al**

(USPub. No. 2002/0174045).

4. Regarding **claims 1 and 13**, **Schulz** teaches:

- **identifying** at least one investment portfolio security to be sold in connection

with a rebalancing of the investment portfolio; and

- **rebalancing** the investment portfolio if a short-term capital gain or losses,

which would result from the rebalancing of the investment portfolio, falls within a

threshold for short-term capital gains or losses.

Schulz discloses a method and apparatus for automatically managing investment portfolios to substantially track a selected index and to automatically harvest tax losses [Abstract]. **Schulz** discloses an accounting system for maintaining **tax lot** information for individual accounts, an optimization system for **rebalancing** each account to substantially model the index and for **harvesting tax losses**, and a trading system for executing trades [Abstract]. **Schulz** further discloses automatic evaluation of investment portfolio for tax loss harvest purposes; a predetermined tax loss threshold for each tax lot [column 2, lines 46-55]. If the difference meets or exceeds the tax loss threshold, the security is automatically sold to provide tax losses for offsetting gains in the portfolio.

Schulz does not specifically disclose rebalancing investment portfolios due to short-term capital gains and losses. However, **Arena** discloses a system, method, and computer program product for dynamic, cost effective reallocation of assets among a plurality of investment [Abstract,]. **Arena** further discloses rebalancing so as to minimize transaction costs including capital gains taxes (short and long term), tax penalties, income taxes, surrender charges, commissions, and transaction fees [0076].

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to account for short-term capital gains as taught by **Arena** because it reduces costs incurred due to short-term capital gains [Arena 0076].

5. Regarding **claims 2**, **Schulz** and **Arena** teach al the items of claim1, the claim upon which this claim depends. **Arena** further teaches:

- wherein the at least one security to be sold is identified based on a difference between securities in the investment portfolio and a target portfolio.

Arena discloses asset allocation models with recommended allocation percentages between stock and bonds based on potential for capital growth and exposure to risk [0006].   **Arena** in turn discloses a system, method, and computer program product for rebalancing assets to achieve a composite asset allocation model, [0021]. Examiner interprets **composite asset allocation model** as an example of Applicant's target portfolio. Examiner notes that rebalancing assets in a portfolio includes buying and selling of securities accordingly.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to include a composite asset allocation model as taught by **Arena** because such a model would help achieve desired asset allocation for a particular type of investor - aggressive, balanced or conservative - based on potential for capital growth and exposure to risk [Arena 0006, 0076].

6.   Regarding **claims 3, Schulz** teaches:

- wherein the at least one security to be sold is identified by allocating at least one security to be sold to at least one tax lot associated with the at least one security to be sold and computing an implied total **short-term capital gain** or loss that would result from the sale of the at least one security to be sold from the at least one tax lot.

Schulz discloses an accounting system for maintaining **tax lot** information for individual accounts, an optimization system for rebalancing each account to substantially model the index and for harvesting tax losses, and a trading system for executing trades. [Abstract].   **Schulz** discloses harvesting losses to offset capital gains [Abstract].

7.   Regarding **claims 4 and 14, Arena** teaches:

- comprising identifying a plurality of securities to be sold in connection with the rebalancing of the investment portfolio based on a difference between securities in the investment portfolio and a target portfolio.

as discussed in the rejection of claim 2. Accordingly, these claims are rejected

for the same reasons as claim 2.

8.   Regarding **claims 5 and 15, Arena** teaches:

- the plurality of securities to be sold are identified by allocating the securities

to be sold to at least one tax lot associated with the securities to be sold and computing

an implied total short-term capital gain or loss that would result from the sale of the

plurality of securities from the at least one tax lot.

as discussed in the rejection of claim 2.

As discussed in the rejection of claims 1 and 13, the claims upon which these

claims depend, **Arena** further discloses rebalancing so as to minimize transaction costs

including those due to taxes on short and long term capital gains taxes [0076].

Examiner notes that while **Arena** does not specifically disclose **computing** short-term

capital gains or losses, this computation is inherent in the system. Examiner asserts

Arena would not be able to rebalance so as to minimize transaction costs without

computing short-term capital gains or losses.

Accordingly, these claims are rejected for the same reasons as claims 4 and 14,

the claims upon which these claims depend.

9.   Regarding **claims 9 and 19, Schulz** teaches:

- rebalancing the investment portfolio if a total short-term capital gain or loss

for the year, which would result from the rebalancing of the investment portfolio, falls

with a threshold for short-term capital gains or losses.

Schulz discloses that periodically, preferably at a time exceeding the minimum

interval required by internal revenue service wash sale rules, each of the securities in

the investment portfolio are automatically evaluated for tax loss harvest purposes

[column 2, lines 45-50]. Examiner notes that "periodically" includes the term "for the

year" as claimed by the Applicant. This time frame is also a statement of intended use.

As per MPEP 7.37.09: a recitation of the intended use of the claimed invention must

result in a structural difference between the claimed invention and the prior art in order to

patentably distinguish the claimed invention from the prior art. If the prior art structure is

capable of performing the intended use, then it meets the claim.

These claims are substantially similar to claim 3 and therefore are rejected for

the same reasons.

10.   Regarding **claims 10, 11, 20 and 21**, the limitations:

- the threshold for short-term capital gains or losses is about 2% of the value of
investment portfolio's assets. (claims 10 and 11)

- the threshold for short-term capital gains or losses is defined by an investor
(claims 20 and 21).

are statements of intended use as discussed in the rejection of claims 9 and 19.

Therefore, these claims are rejected for the same reasons as claims 9 and 19.

11.   Claims 6-8, 12, 16-18, and 22 are rejected under 35 U.S.C. 103 (a) as being

unpatentable over **Schulz et al** (US Patent No. 6,687,681) in view of **Arena et al**

(USPub. No. 2002/0174045), in further view of **Francis** ("Mutual-Fund Records Pay Off

at Tax Time", Wall Street Journal. (Eastern edition), New York, N.Y., Nov 16, 2001. pg.

C.1).

12.   Regarding **claims 6 and 16**, **Schulz** and **Arena** teach al the items of claim 5, the

claim upon which this claim depends. **Schulz** and **Arena** do not teach:

- allocating the securities to be sold beginning with an earlier tax lot of a
plurality of tax lots and proceeding to a later tax lot; or

- allocating the securities to be sold beginning with a tax lot of a plurality of tax

lots having a higher cost basis and proceeding to a tax lot with a lower cost basis.

However, **Francis** teaches using first-in, first-out accounting, or FIFO, to figure

the cost of shares sold in an investor's account [abstract, 1st paragraph]. **Francis**

discloses that investors usually calculate their **gains** or losses using their average

purchase cost for the fund they are selling [full text, 4th paragraph] but may also

determine fund **gains** or losses using specific share identification, also called a "versus

sale" or a "specified lot" sale, allowing investors to pick which lots of shares to sell [full

text, 7th paragraph]. Examiner interprets a "specified lot" sale as allowing an investor to

arbitrarily choose between tax lots as claimed by Applicant.

Therefore, it would have been obvious to a person having an ordinary skill in the

art at the time of the **Schulz's** invention to allow investors to pick which lots of shares to

sell as taught by **Francis** because doing so allows investors to choose which cost basis

to use when determining taxes on capital gains [full text, 7th paragraph].

13.   Regarding **claims 7 and 17, Francis** teaches:

- the plurality of securities to be sold are allocated randomly to a plurality of tax

lots.

As discussed in the rejection of claims 6 and 16 above, **Francis** teaches that

investors usually calculate their **gains** or losses using their average purchase cost for

the fund they are selling [full text, 4th paragraph]. Examiner interprets average purchase

cost for the fund they are selling as being allocated randomly to Applicant's tax lots in

that the investor is not picking which lots of shares to sell either to avoid short-term

capital gain or by way of FIFO.

Therefore, it would have been obvious to a person having an ordinary skill in the

art at the time of the **Schulz's** invention to allow investors selling securities to randomly

allocate securities to a plurality of tax lots as taught by **Francis.** By doing so, an investor/taxpayer can avoid the nuisance of record keeping [full text, 8th paragraph], although it may not be the most cost effective technique when trying to avoid short term capital gains.

14.   **Claims 8 and 18** are substantially similar to claims 6 and 16 respectively, and therefore are rejected for the same reasons.

15.   **Claims 12 and 22** are substantially similar to claims 7 and 17 respectively, and therefore are rejected for the same reasons.

Cited Prior Art

16.   The prior art of record and not relied upon is considered pertinent to Applicant's disclosure.

*   O'Shaughnessy, et al: "System and method for selecting and purchasing stocks via a global computer network" (US Patent No. 7,177,831).

*   Lauricella: "Making Rebalancing Automatic --- Firms Now Offer an Option Many Investors Find Hard To Carry Out on Their Own", Wall Street Journal. (Europe), Brussels: Feb 17, 2003. pg. M.4.

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Ed Baird whose telephone number is (571) 270-3330. The examiner can normally be reached on Monday - Thursday 7:30 am - 5:00 pm Eastern Time.
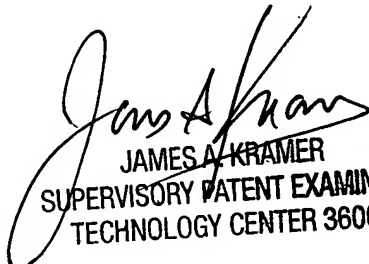
If attempts to reach the examiner by telephone are unsuccessful, the examiner's

supervisor, Jay Kramer can be reached on (571) 272-6783. The fax phone number for

the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the

Patent Application Information Retrieval (PAIR) system. Status information for published

applications may be obtained from either Private PAIR or Public PAIR. Status

information for unpublished applications is available through Private PAIR only. For

more information about the PAIR system, see http://pair-direct.uspto.gov. Should you

have questions on access to the Private PAIR system, contact the Electronic Business

Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO

Customer Service Representative or access to the automated information system, call

800-786-9199 (IN USA OR CANADA) or 571-272-1000.

Ed Baird
Assistant Patent Examiner
571-270-3330

JAMES A. KRAMER
SUPERVISORY PATENT EXAMINER
TECHNOLOGY CENTER 3600